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Citrus

Annual

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Report Highlights:

Total orange production during 1999/2000 is estimated by the Australian Citrus Growers Inc. (ACGI) at around 515,000 MT, a 15 percent increase over the 1998/99 level. A return to normal growing conditions is expected to result in the 2000/2001 orange crop reaching 600,000 MT, an increase of 17 percent on 1999/2000. Quality is forecast to be above average for fruit size. The ACGI forecasts that lemon production has currently plateaued around 30,000 MT. Overall orange juice production during 2000/2001 is forecast to increase almost a quarter as a result of increased orange production.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Canberra [AS1], AS

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Executive Summary

Total orange production during 1999/2000 is estimated by the Australian Citrus Growers Inc. (ACGI) at around 515,000 MT, a 15 percent increase on the level reported by the ACGI for the previous year. Valencia production was up 12 percent and navel production up 21 percent. Despite a less than ideal growing season, the 1999/2000 crop was good quality and comprised a good range of fruit sizes.

A return to normal growing conditions is expected to result in the 2000/2001 orange crop reaching 600,000 MT, an increase of 17 percent on 1999/2000. Quality is forecast to be above average for fruit size, however industry sources are concerned about thrip damage in the Riverland of South Australia. Thrip damaged fruit suffers discoloration of the skin and is typically downgraded from export to the domestic fresh market.

The larger 2000/2001 crop will continue to put downward pressure on prices. However, price decreases should be constrained by improved processing returns and continued strong export demand. Higher domestic supplies should see FCOJ imports fall during the 2000/2001 year.

Orange exports increased from 45,000 MT during 1990-91 to 110,079 MT during 1999/2000. According to the ABS, four out of Australia's top five export markets are in Asia and accounted for 66 percent of total exports during 1999/2000. The USA is now the second largest (largest in 1999) export destination, receiving 22,479 MT of Australian oranges during the same period. In the past, exports have been assisted by poor US navel crops and the unseasonal availability of large local fruit.

Export markets that grew significantly during 1999/2000 were Malaysia and Japan which grew at 19 and 59 percent respectively. Malaysia is now Australia's largest export destination.

Australian lemon production peaked at 47,000 MT in 1984-85. The ACGI forecasts that production has currently plateaued around 30,000 MT. Lemons, like grapefruit, have production cycles, i.e. when prices are high, more trees are planted and when this supply reaches the market, prices are depressed and farmers pull trees out.

Anecdotal evidence suggests that the more traditional citrus mix, whereby orange producers grow a small percentage of lemons as a method of diversification, may be giving way to larger specialist lemon producers who are export focused. The growth of larger export oriented producers has been countered by the smaller producers removing lemon trees to focus on oranges. This trend is not expected to provide an impact on the overall level of lemon production which is regarded by industry sources as static.

Overall orange juice production during 1999/2000 is estimated to have increased significantly due to increased orange production. Australia's capacity to produce juice generally has been constrained by the removal of around one million valencia trees since the 1994-95 year.

The forecast return to normal weather conditions in 2000/2001 will result in more fruit being used for processing. This is expected to result in a reduction of FCOJ imports during the 2000/2001 year.

Fresh Oranges

PSD Table						
Country	Australia					
Commodity	Fresh Oranges				(HECTARES)(1000 TREES)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		04/1998		04/1999		04/2000
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	6337	6337	6450	6450	0	6600
Non-Bearing Trees	1150	1150	1150	1150	0	1150
TOTAL No. Of Trees	7487	7487	7600	7600	0	7750
Production	421	448	524	515	0	600
Imports	10	8	10	13	0	10
TOTAL SUPPLY	431	456	534	528	0	610
Exports	109	111	125	110	0	142
Fresh Dom. Consumption	130	155	179	188	0	188
Processing	192	190	230	230	0	280
TOTAL DISTRIBUTION	431	456	534	528	0	610

Production

General

Total orange production during 1999/2000 is estimated by the Australian Citrus Growers Inc. (ACGI) at around 515,000 MT, a 15 percent increase on the level reported by the ACGI for the previous year. Valencia production was up 12 percent and navel production up 21 percent. Despite a less than ideal growing season, the 1999/2000 crop was good quality and comprised a good range of fruit sizes.

A return to normal growing conditions is expected to result in the 2000/2001 orange crop reaching 600,000 MT, an increase of 17 percent on 1999/2000. Quality is forecast to be above average for fruit size, however industry sources are concerned about thrip damage in the Riverland of South Australia. Thrip damaged fruit suffers discoloration of the skin and is typically downgraded from export to the domestic fresh market.

The varietal mix of orange production continues to change, reflecting the relative profitability of individual orange varieties. The number of navel trees continues to increase while the number of valencia trees has decreased. The ACGI indicates that up to one million valencia trees have been removed in recent times.

The decrease in valencia plantings reflects the variety's reliance on the lower returning processing sector. Navel plantings have increased strongly which has resulted in more fruit being diverted to the fresh domestic

and export markets. The development and growth of new navel varieties that extend the Australian navel season have the potential to displace some California sourced imports. The increase in consumption of “fresh” single strength juice should help to stabilize valencia tree numbers.

The increase in the size of the current crop is expected to see prices decrease on the domestic market and will result in more processing fruit available for the production of concentrate.

Valencia trees currently account for around 61 percent of total Australian bearing citrus trees, while navels account for the vast majority of the remainder. Of the non bearing trees, 81 percent are navels and 16 percent are valencias. This clearly suggests that in the medium term valencia production will fall or remain static while navel production will continue to increase.

Weather

Favorable growing conditions in many areas during the 2000/2001 season are forecast to help increase the size of the crop. This follows two years of climatic conditions that have constrained crop size.

Consumption

General

According to the latest ABS data, citrus consumption per capita increased from 43.2 kilograms in 1991/92 to 44.5 kilograms in 1996/97. This represents a growth rate of 3 percent over a five year period.

Utilization Patterns

Industry sources report lower prices for valencias sold on the domestic market during 1999/2000 as a result of the increased production.

The larger 2000/2001 crop will continue to put downward pressure on prices. However, price decreases should be constrained by improved processing returns and continued strong export demand. Higher domestic supplies should see FCOJ imports fall during the 2000/2001 year.

Marketing

Competitive Activities

The priorities established by the citrus industry for the Australian Horticultural Corporation (AHC) to pursue are:

- S Export development and promotion of oranges;
- S Management of programs for the Citrus Marketing Development Group (CMDG); and
- S Domestic promotion of "100% Australian Orange Juice".

In recent years, domestic promotional activity has been centered on the promotion of the "100% Australian Orange Juice" campaign. The continued strategic objective of this promotion is to increase awareness of the logo and to make it easier to identify and choose daily squeezed juice. The main components have been: a public relations campaign involving endorsements by leading sporting personalities; a research study into the drinking habits of young Australians; media briefings; and a tour by journalists to a citrus growing area.

The AHC has continued its involvement in the Horticultural Industry Marketing Access Committee, providing both the chair and the secretariat. This committee sets priorities for either opening or improving access for citrus to the following markets: Japan, Republic of Korea, China, Taiwan, Thailand, and the Philippines.

Australian citrus was launched in India in July 1999 by the AHC under the "Australia Fresh" banner. This follows India's accelerated removal of citrus import restrictions.

Australian citrus exporters are anticipating the commencement of orange exports to South Korea toward the latter half of CY 2000. The ACGI reports that the South Korean authorities are understood to have accepted the results of cold treatment trials against Queensland Fruit Fly and formal quarantine clearance for Australian oranges and lemons is anticipated in the near future.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Fresh Oranges		
Time period	Yr End Mar	Units:	MT
Imports for:	1999		2000
U.S.	6998	U.S.	9930
Others		Others	
Spain	584	Spain	2433
Israel	241	Israel	317
Australia	1		
Syria	1		
Total for Others	827		2750
Others not Listed	1		0
Grand Total	7826		12680

Export Trade Matrix			
Country	Australia		
Commodity	Fresh Oranges		
Time period	Yr End Mar	Units:	MT
Exports for:	1999		2000
U.S.	26048	U.S.	22479
Others		Others	
Hong Kong	22817	Malaysia	24062
Malaysia	20286	Hong Kong	22039
Singapore	18746	Singapore	16226
New Zealand	6667	Japan	10504
Japan	6602	New Zealand	4647
Indonesia	2046	Indonesia	2212
United Kingdom	1639	United Kingdom	1373
Vietnam	1236	Sri Lanka	858
Canada	627	French Polynesia	804
Taiwan	621	Taiwan	635
Total for Others	81287		83360
Others not Listed	3705		4240
Grand Total	111040		110079

General

Orange exports increased from 45,000 MT during 1990-91 to 110,079 MT during 1999/2000. According to the ABS, four out of Australia's top five export markets are in Asia and accounted for 66 percent of total exports during 1999/2000. The USA is now the second largest (largest in 1999) export destination, receiving 22,479 MT of Australian oranges during the same period. In the past, exports have been assisted by poor US navel crops and the unseasonal availability of large local fruit.

Export markets that grew significantly during 1999/2000 were Malaysia and Japan which grew at 19 and 59 percent respectively. Malaysia is now Australia's largest export destination.

Industry sources are anticipating a significant increase in exports in 2000/2001 due to the larger crop. Crop size in the past has constrained exports and a return to normal weather conditions should see significant increases in export tonnages. Australian orange exports peak from June through November, while imports peak from December through April.

Orange imports are dominated by the US and arrive during the Australian off season for navel oranges.

The ACGI has negotiated a marketing arrangement where Riverland packers have united under the Riversun banner to support the AHC's appointment of Florida based DNE World Fruit Sales as it's sole US importer. Exports have since been approved from the Riverina and Sunraysia areas to the US. Exports from Sunraysia currently need to be treated using in transit cold disinfestation for fruit fly due to the loss of fruit fly free area status. All exports will be covered under the Riversun export program. Packing commences in May for the Riverland with the Sunraysia and Riverina following soon after. Citrus that arrives in the US outside the period from July 1 to August 31 each year requires an out turn of less than 0.5 percent decay to avoid total repack.

Policy

General

Under Federal Government National Competition Policy (NCP), legislation pertaining to Statutory Authorities is being reviewed to determine whether net public benefit is provided.

The Australian citrus industry, like many other agricultural industries in Australia, has statutory organizations that collect levies compulsorily and provide generic promotion and research and development. Under NCP, these organizations will be reviewed and could be significantly changed or even disbanded.

Fresh Lemons

PSD Table						
Country	Australia					
Commodity	Fresh Lemons				(HECTARES)(1000 TREES)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		04/1998		04/1999		04/2000
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	216	216	228	228	0	218
Non-Bearing Trees	92	92	80	80	0	82
TOTAL No. Of Trees	308	308	308	308	0	300
Production	30	35	31	30	0	30
Imports	2	3	3	2	0	2
TOTAL SUPPLY	32	38	34	32	0	32
Exports	4	4	4	5	0	5
Fresh Dom. Consumption	14	17	15	14	0	14
Processing	14	17	15	13	0	13
TOTAL DISTRIBUTION	32	38	34	32	0	32

Production

General

Lemon production is relatively widespread in Australia with the Riverland area of South Australia having over 35 percent of total bearing trees. Sunraysia/mid Murray has 28 percent, with Queensland having 24 percent. Queensland has 55 percent of total non-bearing trees in Australia. The main lemon crop is in the winter-spring period with selective harvesting of the NSW crop beginning in May for the fresh market, and June for processing lemons. Australia is not a large consumer of fresh lemons and as such most of the peak winter production is processed.

Australian lemon production peaked at 47,000 MT in 1984-85. The ACGI forecasts that production has currently plateaued around 30,000 MT. Lemons, like grapefruit, have production cycles, i.e. when prices are high, more trees are planted and when this supply reaches the market, prices are depressed and farmers pull trees out.

Anecdotal evidence suggests that the more traditional citrus mix, whereby orange producers grow a small percentage of lemons as a method of diversification, may be giving way to larger specialist lemon producers who are export focused. The growth of larger export oriented producers has been countered by the smaller producers removing lemon trees to focus on oranges. This trend is not expected to provide an impact on the overall level of lemon production which is regarded by industry sources as static.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Fresh Lemons		
Time period	Yr End Mar	Units:	MT
Imports for:	1999		2000
U.S.	2063	U.S.	1520
Others		Others	
Iran	3	Spain	74
New Zealand	1	New Zealand	45
Total for Others	4		119
Others not Listed	2		1
Grand Total	2069		1640
Export Trade Matrix			
Country	Australia		
Commodity	Fresh Lemons		
Time period	Yr End Mar	Units:	MT
Exports for:	1999		2000
U.S.	0	U.S.	122
Others		Others	
Japan	2697	Japan	3951
Singapore	472	Singapore	319
Hong Kong	457	Hong Kong	281
Malaysia	80	Malaysia	58
Indonesia	43	Indonesia	17
New Zealand	22	Reunion (Fr.)	12
Brunei	20	Guam	10
Russia	11	Brunei	9
UAE	9	New Zealand	5
Taiwan	1	French Polynesia	2
Total for Others	3812		4664
Others not Listed	0		2
Grand Total	3812		4788

General

Lemon exports are estimated to have increased marginally during 1999/2000, with the major markets being Japan, Hong Kong, and Singapore. Australian lemon imports are forecast to remain at relatively low levels for the medium term, with the US remaining the major supplier.

Lemon imports are concentrated in the December to February period.

Juice, Orange

PSD Table						
Country	Australia				Degrees Brix	
Commodity	Juice, Orange				(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Deliv. To Processors	192000	190000	230000	230000	0	280000
Beginning Stocks	16474	16474	14682	27671	13801	23809
Production	14708	14708	17619	17619	0	22000
Imports	30000	43414	28000	25447	0	14000
TOTAL SUPPLY	61182	74596	60301	70737	13801	59809
Exports	1500	1925	1500	1928	0	2000
Domestic Consumption	45000	45000	45000	45000	0	46000
Ending Stocks	14682	27671	13801	23809	13801	11809
TOTAL DISTRIBUTION	61182	74596	60301	70737	13801	59809

Production

General

The citrus processing sector has historically received high levels of assistance. This resulted in resources being attracted away from more efficient areas of production and led to large plantings of valencia trees. Government policy to expose industry to market forces has resulted in a steady decline in assistance. The industry is now largely deregulated. This has resulted in substantial changes to the citrus industry including a much greater focus on export markets and higher returning sectors of the domestic market.

Overall orange juice production during 1999/2000 is estimated to have increased significantly due to increased orange production. Australia's capacity to produce juice generally has been constrained by the removal of around one million valencia trees since the 1994-95 year.

The forecast return to normal weather conditions in 2000/2001 will result in more fruit being used for processing. This is expected to result in a reduction of FCOJ imports during the 2000/2001 year.

In the medium term the growth in the single strength "fresh" orange juice market means that this product will attract a large percentage of the fruit available for juicing. The demand for this product has been enhanced by the fact that processors have negotiated fixed price contacts with some growers for the "fresh" juice market. In some cases this has prevented producers from removing older valencia trees.

Consumption

General

Post forecasts orange juice consumption at 46,000 MT for 2000/2001, consistent with the official ABS figures.

Current legislation states that fruit juice from any source with a juice content of over 25 percent attracts a sales tax of 12 percent and 21 percent if the juice content is less than 25 percent. However, on July 1, 2000, the GOA will introduce a goods and services tax (GST) which will replace the sales tax system. The GST will be charged at 10 percent for all goods with an exemption for fresh food. Under the GST all orange juice containing more than 90 percent orange juice will be exempt from the GST effectively making it tax free. All other juice will be taxed at 10%, lowering the overall level of tax significantly.

The GOA recently announced changes to legislation designed to strengthen labeling laws. It aims to increase the Government's power to stop companies misusing the "Made in Australia" label, and to reinforce the "Product of Australia" description. This is aimed at stopping such things as imported FCOJ being reconstituted and then labeled as "Made in Australia".

The general test for the "Made in Australia" label is that the goods have been substantially transformed and that 50 percent or more of the cost of production or manufacturing of the goods is attributable to production or manufacturing processes in Australia.

The general test for the "Product of Australia" label is that each significant ingredient or significant component of the good and all, or virtually all, processes involved in the production or manufacture must take place in Australia.

The legislation also regulates the use of a logo that may indicate the country of origin of the product.

Prices

Australian valencia processing prices have decreased in recent times due to an increase in orange supply but the decline has been somewhat modified by the depreciation of the Australian dollar.

The forecast increase in supply of fresh oranges during the 2000/2001 year should see prices for processing fruit continuing to fall.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Juice, Orange		
Time period	Yr End Jun	Units:	MT
Imports for:	1999		2000
U.S.	5206	U.S.	689
Others		Others	
Brazil	33291	Brazil	23618
The Netherlands	3119	The Netherlands	833
Belgium	692	Cuba	94
Pakistan	281	Argentina	75
Argentina	266	Pakistan	46
South Africa	241	Italy	38
Rep. of Korea	199	Belgium	19
Cuba	102	Spain	13
Italy	35	South Africa	5
Israel	22	Israel	4
Total for Others	38248		24745
Others not Listed	30		13
Grand Total	43484		25447

Export Trade Matrix			
Country	Australia		
Commodity	Juice, Orange		
Time period	Yr End Jun	Units:	MT
Exports for:	1999		2000
U.S.	6	U.S.	2
Others		Others	
New Zealand	338	Hong Kong	253
Japan	265	Indonesia	251
Hong Kong	247	Japan	237
Indonesia	212	Singapore	227
Singapore	169	New Zealand	186
Malaysia	117	Malaysia	131
The Philippines	78	Thailand	101
Thailand	74	China	80
China	72	The Philippines	69
Saudi Arabia	48	Saudi Arabia	47
Total for Others	1620		1582
Others not Listed	299		344
Grand Total	1925		1928

General

Orange juice imports dropped significantly in 1999/2000 and are expected to fall further 2000/2001 as a result of the larger orange crop.

In the medium-term, the reduction in the numbers of bearing valencia trees, the increase in navel production, and the increase in processing fruit diverted to fresh juice production is likely to see concentrated juice production constrained and imports of FCOJ remain flat with potential for a decrease over the medium term.

Orange juice imports are higher during June through to February with November and December being peak months.

In 1988-89 an ad valorem tariff of 35 percent was implemented. This was gradually reduced to the current five percent on July 1, 1996.

Policy

General

The processing sector has been stimulated recently by an increase in fresh juice production. The push into fresh juice has been bolstered by the development of a "100% Australian Juice" logo by the ACGI in conjunction with the AHC and major juice marketers. The distinctive orange squeezer logo means that the juice contains no concentrate, no artificial coloring, no added water, and no imported product. The advertising campaign has included television and newspaper coverage. Seven juice companies, including the three major juice companies representing 80 percent of the fresh juice industry, are licensed by the AHC to use the logo.